

Message Text

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ACTION ARA-10

INFO OCT-01 EUR-12 ISO-00 SP-02 AID-05 EB-07 NSC-05 RSC-01

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FM AMEMBASSY GEORGETOWN

TO SECSTATE WASHDC 610

INFO AMEMBASSY BRIDGETOWN

AMEMBASSY KINGSTON

AMEMBASSY LONDON

AMEMBASSY PORT OF SPAIN

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E.O. 11652: N/A

TAGS: EIND, GY

SUBJECT: DEMERARA COMPANY MAY BE FORCED TO SELL ASSETS

REF: GEORGETOWN 903

1. GUYANA'S DEMERARA COMPANY LTD; WHOLLY OWNED BY EXPATRIATE JESSELS GROUP IN UK MAY BE FORCED TO SELL ITS INTERESTS IN GUYANA IN ORDER TO PAY OFF PART OF JESSELS USDOLS 22 MILLION OUTSTANDING DEBT. DEMERARA CO. ITSELF IS FINANCIALLY SOUND. DEMERARA RUNS TWO SUGAR FACTORIES. ON TWO SUGAR ESTATES, LIQUOR DISTILLERY, AND AGRICULTURAL MACHINERY AND EQUIPMENT IMPORT HOUSE. TOTAL BOOK VALUE FOR TAX PURPOSES IF USDOLS 12 MILLION.

2. GOG APPROACHED BY JESSEL THROUGH GUYANESE HICOM IN LONDON WITH OVERTURE OF POSSIBLE SALE TO GOG OR COMBINATION GOG/BOOKERS PURCHASE. APPROACH TO GOG APPARENTLY MADE AFTER INITIAL OFFER
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OF SALE TO BOOKERS IN UK. GOG RESPONSE, PUBLISHED N NOV 17 LOCAL

PRESS (CHRONICLE) INDICATED GOG WOULD PERMIT NO RPT NO PURCHASE OF DEMERARA INTERESTS BY OTHER EXPATRIATE ENTITY. LOCAL MANAGER OF DEMERARA PRIVATELY ADMITTED BOOKERS IS EXCEPTION TO RULE OF EXPAT OWNERSHIP, AND INDEED GOG MAY QUOTE FORCE UNQUOTE BOOKERS TO PURCHASE ALL OR PART OF DEMERARA COMPANY IN PARTNERSHIP WITH GOG (GOG APPARENTLY WOULD GIVE BOOKERS MANAGEMENT CONTRACT IF IT TOOK FULL OWNERSHIP)

3. DURING CONVERSATIONS WITH AMBASSADOR BOTH BRITISH HICOM AND HEAD OF BOOKERS GUYANA EXPRESSED COMPANY'S RELUCTANCE TO BUY OUT DEMERARA, WHICH WOULD GIVE BOOKERS COMPLETE MONOPOLY OF SUGAR PROCESSING AND 90 PERCENT OF CANE PRODUCTION. SUCH MOVE WOULD LEAVE COMPANY EVEN MORE VULNERABLE TO GOG AND OPPOSITION PPP CHARGES OF DOMINATING ECONOMY OF COUNTRY. MOREOVER, BOOKERS IS LEERY ABOUT PARTNERSHIP WITH GOG. MANAGER SEES IT AS GOG FOOT IN DOOR FOR FURTHER PARTICIPATION IN ENTIRE INDUSTRY.

4. COMMENT- INCLINED TO AGREE WITH DEMERARA MANAGER THAT BOOKERS HAS FEW OPTIONS, ALL OF WHICH INCLUDE GOG PARTICIPATION IN ONE FORM OR OTHER. IN FACT, GOG HAS ALL BUT CONFISCATED BOTH COMPANIES THIS YEAR THROUGH COMBINATION CORPORATION TAX, EXPORT TAX, AND SPECIAL SUGAR EXPORT LEVY, WHICH IN TOTAL CAPTURE 91 PERCENT OF INDUSTRY'S TOTAL REVENUE, (REFTEL). GOG MAY FORCE BOOKERS TO BUY OUT DEMERARA AND CONTINUE REAPING ABUNDANT TAX HARVEST WITHOUT INVESTING A CENT. THERE IS ONE POSSIBILITY WHICH DEMERARA MANAGER ADMITS IS REMOTE, WHEREBY GOG MAY GIVE PERMISSION TO JESSELS TO SELL DEMERARA CO. TO ONE OF JESSELS' OWN ASSOCIATES (EASTERN PRODUCE). DIRECTORSHIP, ACCORDING TO MANAGER, WOULD NOT RPT NOT CHANGE HANDS. SUCH MOVE, HOWEVER, MUST ALSO HAVE APPROVAL OF JESSELS' CREDITORS. IN ANY CASE, EMBASSY SEES DEMERARA'S DAYS NUMBERED, AND UNLESS JESSELS CAN FIND OTHER MEANS TO SATISFY CREDITORS, LOCAL COMPANY MAY BE IN OTHER (GOG AND/OR BOOKERS) HANDS WITHIN FEW MONTHS.
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